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**MONTGOMERY WARD**  
**Seventy-Eighth Annual Report**  
**Twelve Months Ended**  
**January 31**  
**1950**

BOARDS

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# Montgomery Ward & Co.

INCORPORATED



Seventy-Eighth Annual Report  
Twelve Months Ended  
January 31, 1950



Chicago, March 29, 1950

*To the Stockholders of*

*Montgomery Ward & Co.:*

Net earnings for the year ended January 31, 1950 were \$47,787,898, equivalent to \$7.13 per share on the outstanding common stock, after deducting dividends paid on the Class "A" stock. The comparable earnings for the preceding year were \$68,232,076, or \$10.28 per share.

Net sales of \$1,084,436,000 for the year were \$127,520,000, or 10.5%, lower than the sales for the preceding year. During the early part of the fiscal year both sales and profits were adversely affected by the decline in demand, lower prices, and lower profit margins. Later in the year, with greater



stability of prices, the volume of sales and profit margins improved, and the ratio of net earnings to sales increased to the approximate levels of the same period in the preceding year.

Accompanying the second half improvement in sales volume and prices, and contributing to the more satisfactory earnings, was a rigid control over all operating expenses.

The extension of time payment terms to customers continued to attract a substantial volume of business, as evidenced by the increase of \$12,525,000 in these receivables, to a total of \$196,726,000 on January 31st.

Merchandise inventories were reduced \$32,074,000, to \$227,210,000, although the outstanding commitments for the purchase of merchandise declined only \$2,000,000, to \$96,000,000.

Net working capital increased \$28,327,000 during the year, to \$456,494,000 on January 31st, and the ratio of current assets to current liabilities on that date was 5.9 to 1.

Dividend payments during the year totalled \$20,918,012, of which \$1,410,878 was paid to the Class "A" stockholders, and \$19,507,134, or \$3.00 per share, was paid to the holders of common stock. The book value per share of common stock increased \$4.13 during the year, to \$73.01 on January 31st.

Respectfully submitted,

SEWELL AVERY,

*Chairman of the Board*

# Montgomery

## Balance Sheet —

### ASSETS

#### Current Assets:

Cash.....		\$ 24,779,549	
U. S. Government securities (short term).....		105,435,430	
Receivables—			
Time payment accounts.....	\$196,725,673		
Other accounts.....	9,681,822		
	<u>\$206,407,495</u>		
Less—Reserves for doubtful accounts and collection expense.....	28,108,410	178,299,085	
Merchandise inventories (priced at the lower of cost or market).....		227,210,179	
Supply inventories and prepaid catalog costs..		<u>14,955,754</u>	
Total current assets.....			\$ 550,679,997

#### Properties and Equipment (at cost):

Land.....		\$ 5,969,199	
Buildings, fixtures and equipment.....	\$ 71,998,780		
Less—Depreciation reserves.....	<u>43,114,868</u>	28,883,912	
Leasehold improvements (less amortization)		<u>3,552,077</u>	38,405,188
			<u><u>\$ 589,085,185</u></u>



# Ward & Co.

January 31, 1950

## LIABILITIES AND STOCKHOLDERS' INVESTMENT

### Current Liabilities:

Accounts payable.....	\$ 34,480,165	
Due customers.....	8,270,663	
Accrued expenses and insurance reserve.....	19,031,461	
Federal income taxes.....	<u>32,403,623</u>	
Total current liabilities.....		\$ 94,185,912

### Stockholders' Investment:

#### Class "A" Stock—

Authorized 205,000 shares of no par value, non-callable, \$7.00 per share cumulative dividends; issued 201,554 shares, stated at liquidating value.....	\$ 20,155,400	
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#### Common Stock—

Authorized 10,000,000 shares of no par value; issued 6,502,378 shares, at stated value.....	211,231,385	
Reserve for possible future inventory price decline.....	26,000,000	
Earned surplus—representing earnings reinvested in the business.....	<u>237,512,488</u>	<u>494,899,273</u>
		<u><u>\$ 589,085,185</u></u>

# Montgomery Ward & Co.

## Statement of Earnings for the Years Ended January 31, 1950 and 1949

	1950	1949
Net Sales.....	<u>\$1,084,436,065</u>	<u>\$1,211,955,909</u>
Deductions:		
Cost of merchandise sold.....	\$ 764,002,670	\$ 840,137,673
Wages and salaries.....	162,636,712	173,526,777
Other expenses—net.....	50,571,018	57,905,252
Rents.....	12,109,959	12,523,581
Social security, property, and sundry taxes...	10,747,520	9,851,811
Depreciation.....	3,569,155	3,363,739
Fort Worth flood loss.....	1,376,133	—
Provision for Federal and state income taxes ..	<u>31,635,000</u>	<u>46,415,000</u>
Total deductions.....	<u>\$1,036,648,167</u>	<u>\$1,143,723,833</u>
Net earnings for the year.....	<u><u>\$ 47,787,898</u></u>	<u><u>\$ 68,232,076</u></u>

# Montgomery Ward & Co.

## Statement of Earned Surplus for the Years Ended January 31, 1950 and 1949

	1950	1949
Balance at beginning of year.....	\$210,642,602	\$163,328,538
Net earnings for the year.....	<u>47,787,898</u>	<u>68,232,076</u>
Total.....	<u>\$258,430,500</u>	<u>\$231,560,614</u>
Deduct—		
Dividends on Class "A" stock—\$7.00 per share	\$ 1,410,878	\$ 1,410,878
Dividends on Common stock—\$3.00 per share	<u>19,507,134</u>	<u>19,507,134</u>
Total.....	<u>\$ 20,918,012</u>	<u>\$ 20,918,012</u>
Balance at end of year.....	<u><u>\$237,512,488</u></u>	<u><u>\$210,642,602</u></u>

# Montgomery Ward & Co.

## Statement of Money Provided from Operations and its Disposition During the Year Ended January 31, 1950

### Money Provided from Operations:

Net earnings for the year.....	\$47,787,898
Depreciation (charged against operations but not paid in cash).....	3,569,155
Proceeds from sale of land and buildings.....	<u>106,383</u>
Total.....	<u><u>\$51,463,436</u></u>

### Disposition of Money Provided:

Dividends paid.....	\$20,918,012
Additions and improvements to properties and equipment.....	2,218,791
Retained as additional working capital.....	<u>28,326,633</u>
Total.....	<u><u>\$51,463,436</u></u>



# Auditors' Certificate

*To the Stockholders and Board of Directors,*

*Montgomery Ward & Co., Incorporated:*

We have examined the balance sheet of Montgomery Ward & Co., Incorporated (an Illinois corporation) as of January 31, 1950 and the related statements of earnings, surplus, and money provided from operations and its disposition for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statements of earnings, surplus, and money provided from operations and its disposition present fairly the financial position of the Company as of January 31, 1950, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois  
March 11, 1950

# Montgomery

## Comparative Balance

### ASSETS

	1950	1949	1948	1947
Cash and U. S. securities.....	\$ 130,214,979	\$ 88,141,568	\$ 51,147,293	\$ 64,712,579
Receivables, less reserves.....	178,299,085	172,323,064	144,089,707	86,446,176
Inventories.....	<u>242,165,933</u>	<u>278,548,307</u>	<u>294,544,184</u>	<u>251,171,970</u>
Total current assets.....	\$ 550,679,997	\$ 539,012,939	\$ 489,781,184	\$ 402,330,725
Investments, etc.....	—	—	—	—
Properties and equipment....	<u>38,405,188</u>	<u>39,861,935</u>	<u>40,259,826</u>	<u>39,364,614</u>
Total.....	<u><u>\$ 589,085,185</u></u>	<u><u>\$ 578,874,874</u></u>	<u><u>\$ 530,041,010</u></u>	<u><u>\$ 441,695,339</u></u>

### LIABILITIES AND STOCKHOLDERS' INVESTMENT

Current liabilities.....	\$ 94,185,912	\$ 110,845,487	\$ 109,325,687	\$ 59,173,158
Stockholders' Investment—				
Capital stock.....	231,386,785	231,386,785	231,386,785	231,325,697
Reserve for possible future inventory price decline...	26,000,000	26,000,000	26,000,000	26,000,000
Earned surplus.....	<u>237,512,488</u>	<u>210,642,602</u>	<u>163,328,538</u>	<u>125,196,484</u>
Total.....	<u><u>\$ 589,085,185</u></u>	<u><u>\$ 578,874,874</u></u>	<u><u>\$ 530,041,010</u></u>	<u><u>\$ 441,695,339</u></u>
Working capital (current assets less current liabilities)	\$ 456,494,085	\$ 428,167,452	\$ 380,455,497	\$ 343,157,567

# Ward & Co.

Sheets as of January 31

1946	1945	1944	1943	1942	1941
\$ 98,892,914	\$ 95,509,773	\$ 77,203,467	\$ 44,104,978	\$ 15,955,864	\$ 16,413,449
48,599,391	48,693,043	42,054,432	53,539,393	91,073,514	94,715,917
<u>146,003,339</u>	<u>126,350,348</u>	<u>133,367,137</u>	<u>149,079,247</u>	<u>133,611,035</u>	<u>110,068,059</u>
\$293,495,644	\$270,553,164	\$252,625,036	\$246,723,618	\$240,640,413	\$221,197,425
—	4,505,000	2,685,000	2,045,000	678,173	856,718
<u>39,654,992</u>	<u>41,753,415</u>	<u>44,278,550</u>	<u>46,360,093</u>	<u>48,981,230</u>	<u>49,623,060</u>
<u>\$333,150,636</u>	<u>\$316,811,579</u>	<u>\$299,588,586</u>	<u>\$295,128,711</u>	<u>\$290,299,816</u>	<u>\$271,677,203</u>

\$ 47,509,854	\$ 42,257,650	\$ 34,475,324	\$ 39,847,375	\$ 53,610,892	\$ 50,494,823
167,125,235	149,035,664	149,035,664	149,035,664	149,035,664	149,035,664
16,000,000	16,000,000	16,000,000	15,000,000	5,000,000	—
<u>102,515,547</u>	<u>109,518,265</u>	<u>100,077,598</u>	<u>91,245,672</u>	<u>82,653,260</u>	<u>72,146,716</u>
<u>\$333,150,636</u>	<u>\$316,811,579</u>	<u>\$299,588,586</u>	<u>\$295,128,711</u>	<u>\$290,299,816</u>	<u>\$271,677,203</u>
\$245,985,790	\$228,295,514	\$218,149,712	\$206,876,243	\$187,029,521	\$170,702,602



# Montgomery

## Comparison of Sales,

YEAR ENDED JANUARY 31	NET SALES	EARNINGS BEFORE INCOME TAXES	INCOME TAXES	NET EARNINGS
1950	\$1,084,436,065	\$ 79,422,898	\$31,635,000	\$47,787,898
1949	1,211,955,909	114,647,076	46,415,000	68,232,076
1948	1,158,674,514	102,200,066	43,150,000	59,050,066
1947	974,256,649	89,902,182	37,620,000	52,282,182
1946	654,778,682	58,257,025	35,325,000	22,932,025
1945	620,968,523	49,065,839	27,780,000	21,285,839
1944	595,932,821	31,932,098	11,255,000	20,677,098
1943	635,006,979	57,597,584	31,160,000	26,437,584
1942	632,708,657	54,011,716	26,660,000	27,351,716
1941	515,910,915	35,083,017	12,055,000	23,028,017
1940	474,882,032	34,310,645	7,300,000	27,010,645
1939	413,961,241	24,044,956	4,400,000	19,644,956
1938	414,090,544	25,110,029	5,900,000	19,210,029
1937	361,297,059	25,198,914	5,000,000	20,198,914
1936	293,042,357	16,837,310	3,310,000	13,527,310
1935	249,805,721	11,161,054	2,000,000	9,161,054



# Ward & Co.

## Earnings, and Surplus

EARNINGS PER SHARE OF COMMON STOCK	DIVIDENDS		RESERVE FOR FUTURE INVENTORY PRICE DECLINE	EARNED SURPLUS	COMMON STOCKHOLDERS' INVESTMENT PER SHARE
	AMOUNT	PER SHARE OF COMMON STOCK			
\$ 7.13	\$20,918,012	\$3.00	\$26,000,000	\$237,512,488	\$73.01
10.28	20,918,012	3.00	26,000,000	210,642,602	68.88
8.86	20,918,012	3.00	26,000,000	163,328,538	61.60
7.83	19,601,245	3.00	26,000,000	125,196,484	55.74
4.12	11,845,172	2.00	16,000,000	102,515,547	50.89
3.81	11,845,172	2.00	16,000,000	109,518,265	48.76
3.69	11,845,172	2.00	16,000,000	100,077,598	46.95
4.79	11,845,172	2.00	15,000,000	91,245,672	45.07
4.97	11,845,172	2.00	5,000,000	82,653,260	41.50
4.14	11,845,172	2.00	—	72,146,716	38.53
4.91	11,845,172	2.00	—	60,963,871	36.38
3.50	9,236,598	1.50	—	45,798,398	33.48
3.41	11,832,663	2.00	—	35,390,040	31.48
4.12	19,318,175	4.00	—	28,012,674	29.98
2.65	2,469,036	—	—	27,131,935	28.46
1.72	2,116,317	—	—	16,374,450	26.01

# Montgomery Ward & Co.

## DIRECTORS

SEWELL AVERY, *Chairman*

PHILIP R. CLARKE

WILLIAM L. KEADY

DAVID A. CRAWFORD

DONALD R. MCLENNAN, JR.

GEORGE A. EASTWOOD

SOLOMON A. SMITH

PERCY B. ECKHART

MERLE J. TREES

## OFFICERS

SEWELL AVERY.....*Chairman, Board of Directors*

STUART S. BALL.....*President*

JOSEPH C. KRACHT.....*Vice-President*

JOHN C. WAGNER.....*Vice-President*

JAMES A. WEBBER.....*Vice-President*

CHARLES A. MAXEY.....*Vice-President*

CHESTER W. ANDERSON.....*Vice-President*

ARTHUR R. CAHILL.....*Vice-President and Treasurer*

EDMUND A. KRIDER.....*Vice-President and Controller*

JOHN A. BARR.....*Vice-President and Secretary*

JOHN M. CLARK.....*Assistant Treasurer*

EDWARD H. COLLINS.....*Assistant Treasurer*

RALPH G. CRANDALL.....*Assistant Secretary*

## *Transfer Agents*

THE NORTHERN TRUST CO., CHICAGO, ILL.

J. P. MORGAN & CO. INCORPORATED, NEW YORK, N. Y.

## *Registrars*

THE FIRST NATIONAL BANK OF CHICAGO, CHICAGO, ILL.

BANKERS TRUST COMPANY, NEW YORK, N. Y.









